

Message Text

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 441

INFO AMCONSUL KADUNA

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C O N F I D E N T I A L SECTION 1 OF 4 LAGOS 11177

E.O. 11652: GDS

TAGS: PINT, ECON, MILI, SHUM, NI

SUBJECT: QUARTERLY REVIEW OF THE NIGERIAN SCENE

REF: A) LAGOS 9237, B) LAGOS 6912

1. ON A TRIAL BASIS (REF A), THE EMBASSY IS SUBMITTING A
QUARTERLY RATHER THAN A BIMONTHLY REVIEW.

2. BEGIN SUMMARY. LITTLE HAPPENED ON THE DOMESTIC POLITICAL
FRONT IN NIGERIA DURING THIS PERIOD THAT WOULD JUSTIFY MORE THAN
GUARDED OPTIMISM ABOUT A SUCCESSFUL RETURN TO CIVILIAN RULE AND
THE PROSPECTS FOR THE SECOND REPUBLIC. THE CONTITUENT ASSEMBLY
(CA) CONTINUED ITS WELL DEVELOPED PENCHANT FOR DESTRUCTIVE
CONFLICTS AND SELF-INFLICTED WOUNDS IN WHICH OUTSIDE FORCES,
IN THIS CASE UDOMA, HAD TO STEP IN TO END DISORDER. POLITICAL
PARTIES DEVELOPED ALONG LINES WHICH PROVED TO BE CORROSIVELY
DESTRUCTIVE OF NATIONAL PEACE AND UNITY DURING THE FIRST REPUBLIC.
THE ONLY BRIGHT NOTES WERE THE FACTS THAT THE SOCIAL TURMOIL
OF APRIL-MAY ENDED AND THE FMG GRADUALLY REASSERTED A SENSE
OF DIRECTION AND CONTROL OVER EVENTS.

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3. NIGERIA'S FOREIGN POLICY VIS-A-VIS FOREIGN INTERVENTION IN
AFRICA CONTINUED TO EVOLVE, REACHING MATURATION WITH OBASANJO'S
WIDELY PUBLICIZED KHARTOUM SPEECH DECRYING ALL FOREIGN INTERVENTION
IN AFRICA, AND THANKING THE USSR AND CUBA FOR THE AID THEY HAVE
GIVEN AFRICAN COUNTRIES BUT POINTEDLY SUGGESTING THEY HAVE
OVERSTAYED THEIR WELCOME. THIS STATEMENT WAS IMMEDIATELY FOLLOWED

BY MEETINGS WITH BENINESE LEADERS TO FIND WAYS OF REDUCING
EASTERN BLOC AND CUBAN PRESENCE IN BENIN.

4. ON THE ECONOMIC FRONT, RETRENCHMENT IN GOVERNMENT EXPENDITURE
CONTINUED AS A RESPONSE TO THE DECLINE IN OIL REVENUES WHICH ARE
DOWN APPROXIMATELY 20 PERCENT FROM LAST YEAR. THE FMG, HOWEVER,
CONTINUES TO SEEK NEW MEANS TO FINANCE THIRD DEVELOPMENT PLAN
PROJECTS, WHICH INCLUDE OIL BARTER. THE DOWNTURN IN GOVERNMENT
EXPENDITURES, COUPLED WITH ATTEMPTS TO REDUCE WHAT IS REGARDED
AS EXCESS LIQUIDITY, HAS RESULTED IN A TIGHTER CREDIT MARKET.
BANK SUBSCRIPTIONS TO NIGERIA'S SECOND BILLION DOLLAR LOAN
APPEAR TO BE FROZEN AT \$700 MILLION.

5. THE INDIGENIZATION DECREE CONTINUES TO HAVE NEGATIVE EFFECTS,
SUCH AS UNDERVALUATION OF SHARES AND DIFFICULTY IN REPATRIATION
OF PROCEEDS FROM SHARE SALES, CAUSING SOME U.S. BUSINESSMEN
TO TAKE STEPS TO RAISE THEIR CONCERNS WITH THE FMG. SEVERAL
OTHER ISSUES, SUCH AS THREE 747 FREQUENCIES FOR PAN AM, A SECOND
BERTH FOR AMERICAN WEST AFRICAN CONFERENCE LINE AND THE BAKER
AND LEFEVRE CASES, CONTINUE AS IRRITANTS IN US/NIGERIAN BILATERAL
RELATIONS BUT FMG CONTINUES TO INDICATE ITS DESIRE FOR INCREASED
ECONOMIC TIES WITH THE U.S. END SUMMARY.

INTERNAL POLITICAL AFFAIRS:

6. FOR NIGERIA, THE SUMMER OF 1978 WAS A PERIOD OF RECOVERY AND
RETRENCHMENT FROM THE POLITICAL TURMOIL OF APRIL AND MAY. THE
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SPRING CRISIS, OCCASIONED BY STUDENT AND URBAN UNREST AND POLITICAL
DEADLOCK IN THE CONSTITUENT ASSEMBLY, HAD BURNED ITSELF OUT BY
EARLY JUNE. IT WAS NOT UNTIL MID-JULY, HOWEVER, THAT GOVERNMENTAL
MALAISE HAD DISSIPATED. AT THAT TIME, THE FMG ENDED THE DRIFT AND
REASSERTED ITSELF WITH A SWEEPING RESHUFFLE OF FEDERAL CABINET
OFFICERS AND STATE GOVERNORS, ACCOMPANIED BY REORGANIZATION IN
THE MILITARY, APPARENTLY DESIGNED TO PUT MOMENTUM BEHIND THE
PLANNED RETURN TO CIVILIAN RULE. A DRACONIAN REMOVAL OF TWO
VICE CHANCELLORS, TEN PROFESSORS AND SEVERAL STUDENTS SOON
FOLLOWED TO WRITE FINIS TO THE COUNTRY'S UNIVERSITY DRAMA.

7. IN ITS RESHUFFLE OF PERSONNEL AT THE STATE LEVEL, THEY

REMOVED ALL MILITARY GOVERNORS, REPLACING THEM WITH "MILITARY
ADMINISTRATORS" WHO HAVE CIVILIAN DEPUTIES. ASIDE FROM THE SYMBOLIC
EFFECT OF BEGINNING TO SEPARATE MILITARY PERSONNEL FROM CIVILIAN
STRUCTURES, THE CHANGE APPEARS TO HAVE HAD LITTLE PRACTICAL
ADMINISTRATIVE IMPACT. HOWEVER, IT DID REMOVE SOME GOVERNORS WHO
HAD BEEN CULTIVATING WARLORD TENDENCIES AND ALLOWED SOME
MOBILITY FOR DISSATISFIED OFFICERS. AT THE FEDERAL LEVEL, THE
FMG REMOVED COMMISSIONERS, SUCH AS MEA'S BRIGADIER GARBA, WHO
WERE SEEN TO HAVE MILITARY CAREERS BEFORE THEM UNDER CIVILIAN

RULE, WHILE RETAINING IN OFFICE COMMISSIONERS WHO WILL BE EXPECTED TO RETIRE FROM PUBLIC LIFE ON OCTOBER 1, 1979.

8. THE FMG DECLINED TO LIFT THE BAN ON POLITICS BEFORE THE PLANNED OCTOBER 1 DATE, AS HAD BEEN WIDELY SPECULATED. NEVERTHELESS, THE COUNTRY CONTINUED TO MAKE SLOW AND DISJOINTED PROGRESS DOWN THE PATH LEADING TO THE ESTABLISHMENT OF THE

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SECOND REPUBLIC. IN PARTICULAR, THE CONSTITUENT ASSEMBLY CONCLUDED ITS OFTEN TURBULENT DELIBERATIONS ON THE DRAFT CONSTITUTION WHEN IT WAS ABRUPTLY ADJOURNED IN EARLY JUNE BY ITS CHAIRMAN, JUSTICE UDOMA, WHO SAID THAT THE MEMBERS HAD COMPLETED THEIR TASK AND SHOULD GO HOME. UDOMA'S CA GUILLLOTINE WAS HOTLY CONDEMNED BY VARIOUS MCAS, PARTICULARLY NORTHERNERS, WHO WISHED TO REOPEN THE SHARIA COURT ISSUE AND EASTERNERS WHO WANTED TO INSERT A PROVISION CALLING FOR THE CREATION OF NEW STATES. LATER, IT BECAME CLEAR THAT UDOMA HAD ACTED, PROBABLY WITHOUT CONSULTING THE SMC, TO PREVENT THE POSSIBLE DEVELOPMENT OF A QUID PRO QUO ALLIANCE BETWEEN THE TWO GROUPS THAT MIGHT HAVE PLUNGED THE ASSEMBLY INTO RENEWED CONFLICT. THE SITUATION LANGUISHED UNTIL AUGUST 29 WHEN THE DRAFT CONSTITUTION WAS PRESENTED TO GENERAL OBASANJO WITHOUT RECONVENING THE CA.

9. POLITICAL PARTIES CONTINUED TO DEVELOP WITHIN THE TWILIGHT ZONE OF THE BAN ON POLITICS BUT AT A SLOWER RATE THAN HAD BEEN EXPECTED. DISAPPOINTINGLY FOR MANY, THE PROTO PARTIES, WHICH WERE DEVELOPING DURING THE PERIOD IN A HOST OF OFTEN CHAOTIC

AND CONFUSED MANEUVERINGS, LARGELY REFLECTED TRADITIONAL REGIONAL
AND TRIBAL GROUPINGS. THE MAJOR QUESTION, YET TO BE ANSWERED,
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IS WHETHER A SINGLE NORTHERN POLITICAL FORCE WILL EMERGE IN
LINE WITH HISTORICAL NORTHERN UNITY, A TRADITION WHICH APPEARS
TO HAVE BEEN REVIVED AND REINFORCED BY WOUNDED NORTHERN AMOUR
PROPRE RESULTING FROM THE SHARIA DEFEAT IN THE CA. IN THAT REGARD,
THE CONSULATE IN KADUNA REPORTS THAT YOUNGER POLITICAL ELEMENTS
IN THE NORTH, FOLLOWING THEIR SETBACK IN THE CA, HAVE TURNED TO
THE TRADITIONAL POLITICAL ESTABLISHMENT. BUT IT REMAINS TO BE
SEEN HOW SUCCESSFULLY THE TRADITIONAL NORTH WILL BE ABLE TO DEAL
WITH THE NONESTABLISHMENT PRESIDENTIAL CANDIDACY OF WAZIRI
IBRAHIM AND THE APPARENT POLITICAL DEFECTION OF THE RELIGIOUSLY
MIXED MIDDLE BELT.

10. IT IS STILL TOO EARLY TO TELL HOW THE DEVELOPMENT OF
POLITICAL PARTIES WILL EVOLVE. NEVERTHELESS, IT APPEARS THAT
THREE OR FOUR MAJOR GROUPINGS WILL IN THE END EMERGE: ONE OR TWO
NORTHERN BASED PARTIES, CHIEF AWOLOWO'S GROUP, AND A PARTY
BASED ON THE SOUTHERN/MIDDLE BELT CLUB 19 ALLIANCE WHICH
CONTROLLED MUCH OF THE CA'S ACTIVITY.

EXTERNAL POLITICAL AFFAIRS:

11. DURING THE SUMMER, NIGERIA'S EXTERNAL RELATIONS WERE MARKED
BY IMPORTANT CHANGES, BOTH IN POLICY AND IN PERSONNEL. IN
PARTICULAR, NIGERIA MOVED AWAY FROM GENERALIZED SUPPORT FOR SOVIET
CUBAN INVOLVEMENT IN AFRICA AND BRIGADIER GARBA WAS REPLACED
AS COMMISSIONER FOR EXTERNAL AFFAIRS BY MAJOR GENERAL ADEFOPE
IN THE MID-JULY RESHUFFLE IN THE FMG. DESPITE FORMALLY LEAVING
OFFICE, GARBA CONTINUES TO PLAY A ROLE IN NIGERIAN FOREIGN
POLICY, FOR EXAMPLE, FACILITATING THE AUGUST MEETING BETWEEN
NKOMO AND SMITH.

12. THE MAJOR DEVELOPMENT ON THE NIGERIAN FOREIGN POLICY HORIZON
WAS A CONTINUATION OF THE TREND REPORTED IN THE LAST BIMONTHLY
REPORT TOWARD A REORIENTATION OF NIGERIAN FOREIGN POLICY VIS-A-
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VIS SOVIET AND CUBAN ACTIVITIES IN AFRICA IN THE AFTERMATH OF
THE SHABA EVENTS. HITHERTO, NIGERIA HAD FOUND SOVIET ACTIVITIES
IN AFRICA, MOST NOTABLY IN ANGOLA AND IN THE HORN, TO BE GENERALLY
CONGRUENT WITH NIGERIAN POSITIONS. WHILE REALIZING THE NATURE
OF SOVIET SELF INTEREST, THE NIGERIANS TENDED TO VIEW THE
SOVIET ROLE AS AN ESSENTIALLY POSITIVE ELEMENT IN THE EVOLVING
AFRICAN SCENE. THE NIGERIANS, HOWEVER, DESPITE THEIR LACK OF

SYMPATHY FOR THE MOBUTU REGIME, SAW IN SHABA THE THREAT OF FORMER COLONIAL POWERS REASSERTING THEMSELVES IN AFRICA.

13. BY EARLY SUMMER, RUMINATIONS ON "THE CUBAN DILEMMA" WITHIN THE NIGERIAN FOREIGN POLICY ESTABLISHMENT HAD DEVELOPED TO THE POINT WHERE THE FMG APPEARS TO HAVE ADOPTED A MORE OBJECTIVE, POLITICALLY NEUTRAL MANNER FOR EVALUATING FOREIGN INCURSIONS INTO THE AFRICAN CONTINENT, HAVING ABANDONED ITS EARLIER SIMPLISTIC VIEW THAT SOVIET/CUBAN ACTIVITIES WERE PER SE POSITIVE. THIS MORE EVENHANDED APPROACH OF REGARDING ALL WITH SUSPICION WAS MOST CLEARLY AND DRAMATICALLY PRESENTED IN GENERAL OBASANJO'S OAU SPEECH IN KHARTOUM. THE FMG HAS ALSO APPARENTLY DECIDED TO ATTEMPT TO LESSEN SOVIET/CUBAN INFLUENCE IN NIGERIA'S IMMEDIATE GEOGRAPHIC PROXIMITY. IN IMPLEMENTING THIS APPROACH, THE NIGERIANS MET WITH BENINESE LEADERS WITH THE AIM OF DECREASING CUBAN AND EASTERN BLOC PRESENCE IN BENIN IN RETURN FOR NIGERIAN MILITARY ASSISTANCE AND SECURITY GUARANTEES. A COLLATERAL MOTIVE FOR THE NIGERIANS MAY ALSO BE THE DESIRE TO ELIMINATE A POTENTIAL BASE FOR GREATER POWER DESTABILIZATION OF NIGERIA ITSELF DURING THE ANTICIPATABLE TURMOIL OF THE RETURN TO CIVILIAN RULE.

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THE SECOND TARGET IN NIGERIAN EFFORTS TO DECREASE SOVIET/CUBAN INFLUENCE IN THE AREA REPORTEDLY WILL BE EQUATORIAL GUINEA.

14. ALTHOUGH OBVIOUSLY TO OUR BENEFIT, THE NIGERIAN REORIENTATION SHOULD NOT BE TAKEN FOR GRANTED OR MISCONSTRUED TO MEAN THAT THERE IS A LESSENED COMMITMENT ON THE PART OF THE NIGERIANS TO CHANGE

IN SOUTHERN AFRICA OR A GREATER TOLERANCE FOR OVERT WESTERN INTERFERENCE IN THE CONTINENT. DURING THE PERIOD, NIGERIAN POLICY IN SOUTHERN AFRICA REMAINED ESSENTIALLY UNCHANGED, ALTHOUGH PERHAPS MARKED BY INCREASING FRUSTRATION WITH THE TRUCULENCE OF SWAPO AND THE DISUNITY OF THE PF WHICH WAS REFLECTED IN THE AUGUST SMITH-NKOMO MEETING.

15. THE EXCHANGE OF OFFICIAL VISITS CONTINUED WITH OBASANJO VISITING POLAND AND RUMANIA AND FRG CHANCELLOR SCHMIDT VISITING NIGERIA. SCHMIDT'S VISIT WAS MARKED BY THE GERMANS, BLUNTLY TELLING NIGERIA NOT TO EXPECT THE FEDERAL REPUBLIC TO FOREGO TRADE TIES WITH SOUTH AFRICA.

ECONOMIC AFFAIRS:

16. NIGERIAN OIL OUTPUT CONTINUES TO REVIVE FROM THE TROUGH OF
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FIRST QUARTER 1978. PRICE DISCOUNTS CALLED PRODUCER ALLOWANCES, ATTEMPTS BY SAUDI ARABIA TO FOSTER HEAVY CRUDE CONSUMPTION, AND A FOURTH QUARTER BUYING SURGE IN EXPECTATION OF AN OPEC PRICE INCREASE SHOULD KEEP PRODUCTION IN THE NEIGHBORHOOD OF 2 MILLION BARRELS PER DAY FOR THE REST OF THE YEAR AND AN AVERAGE OF 1.8 MILLION BARRELS PER DAY FOR 1978. THIS MEANS REVENUES OF 8 BILLION DOLLARS, DOWN ROUGHLY 20 PERCENT FROM LAST YEAR.

17. RETRENCHMENT IN GOVERNMENT EXPENDITURE CONTINUES AS A RESPONSE TO THE DECLINE IN THIS PRIME SOURCE OF REVENUE. MINISTRY OF WORKS OFFICIALS TOLD THE EMBASSY THAT THERE WILL BE NO SIGNIFICANT ISSUANCE OF ROAD CONTRACTS BEFORE MID-1979. CONSTRUCTION COMPANIES, WHICH HAD IMPORTED A GREAT DEAL OF HEAVY EQUIPMENT IN ANTICIPATION OF A CONTINUING BOOM, NOW FIND THEMSELVES OVEREXTENDED. SOME, INCLUDING 25 U.S. FIRMS, ARE LEAVING WHILE THE REST FACE INTENSE COMPETITION FOR THE REMAINING JOBS. ONE NEGATIVE POLITICAL IMPLICATION WILL BE A INCREASE IN UNEMPLOYED CONSTRUCTION WORKERS WHO HAVE BECOME ACCUSTOMED TO A BOOM LIFESTYLE AND WHO COULD CONCEIVABLY RESPOND TO POLITICAL AGITATION OR TURN TO CRIME.

18. BECAUSE THE FMG WISHES TO BE REMEMBERED AFTER 1979 AS AN ACTIVIST GOVERNMENT THAT MANAGED THE ECONOMY SUCCESSFULLY, IT CONTINUES TO SEEK NEW MEANS TO FINANCE THE PROJECTS OF THE THIRD DEVELOPMENT PLAN. OIL BARTER FOR GOODS AND SERVICES, ONCE REGARDED WITH SUSPICION, IS NOW ACCORDED HIGH PRIORITY. A SPECIAL HIGH-LEVEL SUBCOMMITTEE OF THE INTERMINISTERIAL ECONOMIC AND FINANCE COMMITTEE HAS BEEN ESTABLISHED. IT IS CHAIRED BY THE PERMANENT SECRETARY, MINISTRY OF FINANCE AND INCLUDES THE MANAGING DIRECTOR OF THE NIGERIAN NATIONAL PETROLEUM CORPORATION. SO FAR, ONLY ONGOING CONTRACTS HAVE BEEN INVOLVED. JULIUS BERGER, ONE OF THE MOST SUCCESSFUL EXPATRIATE CONSTRUCTION COMPANIES, IS REPORTED TO BE TAKING 400,000 TONS THROUGH THE REST OF THE YEAR. U.S.

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FIRMS OFTEN INCLUDE OIL BARTER ARRANGEMENTS IN BIDS ON NEW MAJOR PROJECTS SUCH AS THE \$300 MILLION 747 MAINTENANCE BASE COMPLEX.

19. A LESS OBVIOUS ATTEMPT TO FIND NEW SOURCES OF REVENUE WAS THE SUSPENSION OF THE U.S.-NIGERIAN AND ALL OTHER RECIPROCAL TAX TREATIES. NIGERIA WANTS A GREATER PART OF THE TAX REVENUE ON SHIPPING AND AVIATION WHICH, UNDER THE TERMS OF THE FORMER TREATIES, WENT LARGELY TO FOREIGN GOVERNMENTS. OWING TO A ONE YEAR GRACE PERIOD, THE SUSPENSION WILL COME INTO FULL EFFECT IN APRIL 1979, BUT IT IS HOPED THAT THE FMG WILL RESPOND FAVORABLY TO THE U.S. REQUEST THAT NEGOTIATIONS FOR A NEW TREATY BEGIN THIS YEAR. THE DOWNTURN IN GOVERNMENT EXPENDITURES, COUPLED WITH MEASURES TO MOP UP WHAT IS REGARDED AS EXCESS LIQUIDITY, ARE CAUSING AN INCREASINGLY TIGHT CREDIT MARKET. ONE SOURCE FROM A LARGE U.S. BANK COMPLAINED THAT HE COULD NOT EVEN RAISE 5 MILLION NAIRA DOMESTICALLY FOR A FAVORED BORROWER. HE FOUND THE RECENT ATTEMPT OF BENDEL STATE TO RAISE 40 MILLION NAIRA ALMOST LAUGHABLE, GIVEN THE TIGHTNESS IN THE MARKET AND THE STATE'S FINANCIAL CONDITION. THE CREDIT SQUEEZE WILL BECOME WORSE THIS FALL AND WINTER WHEN APPROXIMATELY 600 FIRMS WILL BE ATTEMPTING TO SELL EQUITY IN COMPLIANCE WITH THE INDIGENIZATION DECREE. THE DECREE IS PROVING TO HAVE MANY OTHER NEGATIVE SIDE EFFECTS AS FAR AS U.S. BUSINESSMEN ARE CONCERNED. SHARES ARE BEING UNDERVALUED BY THE NIGERIAN ENTERPRISE PROMOTION BOARD AND THE FMG IS MAKING IT DIFFICULT FOR FIRMS TO REPATRIATE THE PROCEEDS OF THE SALE. UNDER U.S. ACCOUNTING PROCEDURES, INDIGENIZATION

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RESULTS IN A MORE SERIOUS LOSS IN PARENT COMPANY BOOKS THAN UNDER EUROPEAN PROCEDURES. SOME AFFECTED BUSINESSMEN FORECAST THAT THIS WILL SERIOUSLY DIMINISH NEW U.S. INVESTMENT WHILE OTHERS ARE TAKING STEPS THROUGH THE NIGERIAN-AMERICAN CHAMBER OF COMMERCE TO RAISE THEIR CONCERNS WITH THE FMG AND WORK FOR A "BETTER BUSINESS CLIMATE."

20. IMPORT RESTRICTIONS ANNOUNCED IN APRIL FOR A WIDE RANGE OF COMMODITIES ARE BEGINNING TO AFFECT DELIVERIES OF U.S. GOODS. AMERICAN WEST AFRICAN CONFERENCE LINE, WHICH USED TO DELIVER 2,100 TONS PER SHIP, NOW DELIVERS CLOSER TO 700 TONS PER SHIP. DISPLACED U.S. EXPORTS ARE MANUFACTURED ITEMS SUCH AS REFRIGERATORS, TELEVISIONS AND SHOES. UNFORTUNATELY FOR U.S. HOPES THAT NIGERIA WOULD BE A POSITIVE EXAMPLE AT THE MULTILATERAL TRADE NEGOTIATIONS, IT DOES NOT APPEAR THAT RESTRICTIONS WILL BE RAISED. REAFFIRMATION OF THE IMPORTANCE OF RESTRICTIONS TO FMG DEVELOPMENT POLICY, IN TERMS OF IMPORT SUBSTITUTION AND STEMMING FOREIGN EXCHANGE LOSSES, WAS OBTAINED DURING HIGH LEVEL REPRESENTATION BY EMBASSY TO PERMSEC OF TRADE IN AUGUST.

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21. DESPITE THEIR SEVERITY, IMPORT RESTRICTIONS ARE NOT CONSIDERED TO BE SOON ENOUGH OR SHARP ENOUGH BY WORRIED MINISTRY OF FINANCE OFFICIALS STRUGGLING WITH NIGERIA'S MONTHLY TRADE DEFICIT OF \$500 MILLION. AT END OF JULY, FOREIGN EXCHANGE RESERVES OF \$2.2 BILLION WERE ROUGHLY HALF OF THOSE REQUIRED BY THE RULE-OF-THUMB THAT RESERVES SHOULD EQUAL FOUR MONTHS OF IMPORTS. DESPITE WIDESPREAD RUMORS, FMG WILL PROBABLY NOT DEVALUE THE NAIRA, THOUGH IT MAY ALLOW A GRADUAL DEPRECIATION. AS ITS OIL EXPORTS ARE PURCHASED WITH DOLLARS AND ITS IMPORTS ARE LARGELY ESSENTIAL CAPITAL GOODS, THE MEASURE WOULD MEAN HIGHER DOMESTIC PRICES WITH ATTENDANT POLITICAL RISKS BUT PROBABLY WOULD NOT BALANCE THE COUNTRY'S PAYMENT IN THE SHORT RUN. IN THE LONGER RUN, THE OVERVALUED NAIRA IS AN IMPORTANT DISINCENTIVE TO INVESTMENT. EARLY FEARS THAT NIGERIA WAS RUSHING THE INTERNATIONAL MONEY MARKET ARE NOW GROWING AS BANK SUBSCRIPTIONS TO THE SECOND BILLION DOLLAR LOAN SEEM FROZEN AT \$700 MILLION. MANY BANKS ARE WAITING FOR PROJECT FINANCING PROPOSALS FROM OPERATING MINISTRIES RATHER THAN JOINING IN THE GENERAL PURPOSE JUMBO LOAN SOUGHT BY THE MINISTRY OF FINANCE. WITH NO FURTHER SUBSCRIPTIONS, THE LOAN WOULD STILL GO THROUGH AT \$700 MILLION BUT, AS ONE FINANCIER SAID, "IT WOULD MEAN A BLACK EYE FOR ALL CONCERNED." IT WILL MEAN

STRICTER TERMS AND SMALLER LOANS FOR THE FUTURE.

2. SEVERAL BILATERAL ECONOMIC ISSUES REMAIN UNRESOLVED, INCLUDING THREE 747 FREQUENCIES FOR PAN AM, A SECOND APPROPRIATED BERTH FOR THE AMERICAN WEST AFRICAN CONFERENCE LINE, AND THE BAKER AND LEFEVRE CASES. AT TIMES THEY CAUSE SOME STRAIN TO BILATERAL RELATIONS. HOWEVER, RECENT ENCOURAGEMENT GIVEN TO U.S. EXPORTS BY THE PERMSEC OF TRADE AND TO U.S. INVESTMENT BY THE HEAD OF STATE INDICATE THAT FMG INTEREST IN U.S. ECONOMIC TIES CONTINUES TO GROW.

MILITARY AFFAIRS:
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23. IT HAS BEEN A TUMULTUOUS SUMMER FOR NIGERIA'S MILITARY. THE NATION'S FIRST ARMY DAY CELEBRATION TURNED LAGOS' TAFAWA BALEWA SQUARE INTO AN ARSENAL FOR THE FIRST WEEK OF JULY. A MASSIVE TATTOO WAS HELD ON THE EVENING OF JULY 5 THAT WAS BOTH IMPRESSIVE IN SCOPE AND SUCCESSFUL IN POSITIVELY PORTRAYING THE NIGERIAN ARMY.

24. WITH THE REMOVAL OF STATE MILITARY GOVERNORS AND THEIR REPLACEMENT BY STATE MILITARY ADMINISTRATORS, A GENERAL PERSONNEL SHUFFLE TOOK PLACE AMONG THE ARMED FORCES' SENIOR OFFICERS AND, WHILE IT IS STILL NOT COMPLETE, MOST OF THEM WILL BE IN THEIR NEW BILLETS BY SEPTEMBER 1. THE REASSIGNMENTS HAVE EXTENDED WELL DOWN IN THE ARMY AND AIR FORCE HIERARCHIES WITH MAJORS AND CAPTAINS, AS WELL AS THEIR SENIORS, MOVING. THE PERSONNEL REASSIGNMENTS WERE ACCOMPANIED BY A MODERATELY LARGE NUMBER OF PROMOTIONS AMONG COLONELS, LIEUTENANT COLONELS, AND MAJORS IN THE NIGERIAN ARMY. THE SHUFFLE ALSO FORCED EARLY IMPLEMENTATION OF A REORGANIZATION SCHEME IN THE NIGERIAN AIR FORCE (NAF) WHICH CREATED, INTER ALIA, TWO MAJOR COMMANDS AND A NEW BRANCH AT NAF HEADQUARTERS.

25. IN AUGUST, CHIEF OF AIR STAFF YISA-DOKO REVEALED THE COUNTRY'S FINANCIAL PROBLEMS HAD RESULTED IN THE SLASHING OF MAINTENANCE AND MAINTENANCE FACILITIES FUNDS IN THE NAF BUDGET BY 80-85 PERCENT. IF SIMILAR CUTS WERE MADE IN OTHER AREAS, NAF, NEVER A HIGH FLYING-TIME ORGANIZATION, WILL BE FORCED TO FURTHER REDUCE OPERATIONS. THE RESULTANT IMPACT ON CREW PROFICIENCY AND FLYING SAFETY POSE REAL CHALLENGES IN THE MONTHS TO COME.

26. NIGERIA'S UNIFIL BATTALION REMAINED IN LEBANON, APPARENTLY FULFILLING ITS PART OF THE UN MISSION. ITS LEADERSHIP HAD A DIFFICULT TIME INITIALLY AND THERE WAS SOME DISCUSSION OF A REPLACEMENT FOR THE CO, LT COL UWUMAROGIE. HE HAS NOW BROUGHT HIS PROBLEMS TO MANAGEABLE PROPORTIONS AND IS EXPECTED TO CONTINUE.

27. THE CONSULATE IN KADUNA HAS CONTRIBUTED TO THIS REPORT.

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Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780367-0718
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780989/aaaacvpg.tel
Line Count: 501
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1d421054-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 LAGOS 9237, 78 LAGOS 6912
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1505771
Secure: OPEN
Status: NATIVE
Subject: QUARTERLY REVIEW OF THE NIGERIAN SCENE
TAGS: PINT, ECON, MILI, SHUM, NI
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1d421054-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014